

Maximize Your Investment in PI

(No. . . this is not a stock tip)

By Cindy Boswell, Revaluation Specialist

Property Tax Review. June 2007. Volume 8 Issue 2

http://dor.wa.gov/Docs/Pubs/Prop_Tax/NewsletterSummer2007.pdf

May 31st is fast approaching, which means many of you will begin the next phase of your inspection or inspection/appraisal cycle as outlined in your revaluation plan. Whether you operate revaluation on an annual basis or on a cyclical basis--now is a good time to review, renew, and maximize your inspection process.

Physical Inspection Requirements

Physical inspection (PI) ensures that property records accurately reflect current land and improvement characteristics/attributes. In Washington, the assessor is required to inspect property at least once each 6 years if values are annually updated or inspect property once during each cycle when revaluation is on a multi-year cycle of 2 years, 3 years, or 4 years (RCW 84.41.030, RCW 84.41.041, WAC 458-07-015, & WAC 458-07-020). The International Association of Assessing Officers (IAAO) "Standard on Mass Appraisal of Real Property" recommends, "that properties be physically reviewed at least every four to six years." This standard has recently been reviewed by IAAO to consider inspection interval alternatives when a jurisdiction is effectively using digital image technology tools.

Assessor Access to Property

Property owners are required to allow access to the assessor for purposes of physical inspection of the property (RCW 84.40.025). <http://apps.leg.wa.gov/RCW/default.aspx?cite=84.40.025>

What are the minimum requirements for a physical inspection?

According to WAC 458-07-020, "physical inspection" means, at a minimum, an exterior observation of the property to determine whether there have been any changes in the physical characteristics that affect value. The property improvement record must be appropriately documented in accordance with the findings of the physical inspection."

<http://apps.leg.wa.gov/WAC/default.aspx?cite=458-07-015>

What happens if I don't finish my inspection phase?

According to WAC 458-07-015, the scheduled inspections must be completed. Before beginning inspections for the subsequent year, all current year inspections must be completed. <http://apps.leg.wa.gov/WAC/default.aspx?cite=458-07-015>

Physical inspection is so costly why must we systematically inspect property?

Taxpayers have the right to expect accurate and equitable assessments. The most labor intensive and costly phase of a revaluation is the physical inspection process, but good records provide a foundation to achieve accurate and equitable assessments. "The quality of the available data will have a greater effect than anything else on valuation accuracy." Mass Appraisal of Property, International Association of Assessing Officers, 1999, P 30. All land and improvement data must be accurate and based on consistent standards--a recurring mantra heard at mass appraisal modeling training and this statement reverberates through counties that are incorporating modeling in their mass appraisal practices.

The quality of final values is very dependent on the quality of the data going into the data management system. Active records of individual parcels must be accurate. In addition, a separate fixed record of property sales, and the property characteristics as of the sale date, needs to be accurate. Missing data, incorrect square footage or inconsistent opinions of subjective features, may result in distorted values, poor ratio of market to assessed values, and negative impact on the assessment professional's credibility with property owners.

Building Strong Property Records

During the PI Process Counties are placing significant emphasis on improving their consistency and accuracy when updating property records. Each county uses the inspection cycle to systematically review recorded characteristics. Occasionally, counties will discover weaknesses in records during conversion to new software, during sales confirmation, or during implementation of valuation methods. If you suspect that your property records could be improved, now may be the time to emphasize the importance of the inspection process and incorporate guidelines and manuals that may improve your current work product.

Key Elements of Physical Inspection

Accuracy -- Data Quantity

Are the data we collect, the right data to value property and does it interpret market behavior? Identification of the characteristics that influence value may vary by county and markets, but there are some general characteristics important in all markets. Place

emphasis on key characteristics rather than many minor characteristics that may not matter. Significant property characteristics may include (not all inclusive): building size (usable living area), construction quality and design, effective age or condition, location, lot size and site amenities, and building features and amenities. Verification of minor data is time consuming and this data may be reflected just as easily through the overall building quality. For example, spend your time on accurate identification of quality and square footage of living area rather than a detailed listing of built-in appliances. Some data may not have a major impact on value as an individual component. However, it may be necessary to make specific note of characteristics that are important in identifying class, or a useful tool to explain and understand property values.

Accuracy -- Data Quality

- ♦ Is the data correct? The following list includes tools currently in use by many assessors. Several suggestions may be excessive or not feasible for some jurisdictions, but most can be effective tools to strengthen accuracy. Guidelines/Policies--Exterior inspections, Interior inspections, Callbacks.
- ♦ Convey the message -- Accurate property data is important!
- ♦ Encourage taxpayers to notify your office of inaccuracies -- especially successful in counties with property characteristics accessible through websites.
- ♦ Pre-sketch new buildings if plans are accessible -- confirm in the field.
- ♦ Photos
- ♦ Training - Classroom & Field
- ♦ Supervision and Peer Reviews

Data Consistency Between Appraisers

Is each appraiser collecting the same data in the same format and using the same coding? Many property characteristics may be recorded on a quantitative level, counted or measured data, such as square footage or number of plumbing fixtures. Other characteristics are qualitative, descriptive data that may require subjective opinions of the field appraiser. Counties are using internal tools that encourage consistency especially when the appraiser is faced with subjective calls such as quality, condition, and effective age. Some of these tools include:

Tools being used to encourage appraiser consistency

Data Inventory Manuals—Pictures, defines elements of property characteristics such as quality, condition, depreciation. Provides format for the collection of property characteristics. Provides instructions on coding of data.

Kittitas County has created an electronic research library for staff that includes guidelines for classification of property attributes and documentation for various appraisal and other office processes.

Thurston County has developed a manual that provides guidelines for field work with a goal of more uniform classification of property elements by all appraisers.

King County conducts intensive internal training during the weeks preceding the start of a new valuation year.

- ♦ Pre-Reval Team inspections—In Lewis County, prior to the start of a new year, the chief appraiser, field appraisers, and the sales analyst will make field visits to review properties and discuss individual opinions on construction, quality, condition and effective age. The goal is to reach consensus on a unified standard for each key element that is included in their manuals.
- ♦ Peer reviews -- between appraisers within one office. In addition, vendor user group meetings may also be a good time to address characteristics—what's important to capture and what's not important. Users of one product may have very different types of property and the need for different characteristics or methods, but this an excellent time to discover similarities and successes.
- ♦ Encourage change when warranted -- if an incorrect class or quality is currently listed on the record, encourage appraisers to make the changes in spite of potential impact on value (or other staff) -- move forward with correct data.
- ♦ Rotate work areas -- new eyes -- exposure to other appraisers work and classification of property.

Data Codes

Do you have adequate data coding in place -- codes that will be used for stratification as you perform your internal ratio studies. The descriptive names and codes currently used by counties do vary, some of the more common codes used include: land use (DOR requirement WAC 458- 53-030), property type, reval or inspection area, market area, neighborhood code, and subneighborhood codes.

If you are currently missing some of these codes don't panic! The topic of market areas and neighborhoods will be a feature in a future issue, but now is the time to begin planning. Identify your needs and develop guidelines for coding that could be incorporated into your current or future computer system. Also, begin to identify boundaries and areas with similar identifying and economic characteristics. Even notes made during PI on current property records may be useful at a later date and minimize the need for extra trips to the field.

Surely there are many other tools used within your offices that have been useful in promoting accuracy and consistency, while still preserving appraiser pride in their work. I would like to add to the listed suggestions--if you have additions, experience or comments to share then please contact me at cindyb@dor.wa.gov.

A comprehensive physical review of mass amounts of property can seem like a daunting task. Once again, I believe each of the thirty-nine assessment offices is up to this challenge. The return on your investment of time during the inspection process is uniform and fair assessments and credibility with the taxpayers. Good Luck!